FitchRatings

Structured Finance
Auto Leases
Germany

VCL Multi-Compartment S.A., Compartment VCL 41

EMEA ABS Compare Tool

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Closing occurred on 26 February 2024. The transfer of the portfolio to the issuer occurred on the closing date. The ratings assigned above are based on the portfolio information as of 31 January 2024, provided by the originators.

Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other material should be reviewed prior to any purchase.

Representations, Warranties and Enforcement Mechanisms Appendix

Capital Structure

Class	Rating	Outlook	Amount (EURm)	CE (%)	Interest rate	Legal final maturity
A	AAAsf	Stable	954.0	5.8	1m Euribor+0.46%	December 2029
B	AA+sf	Stable	18.0	4.0	1m Euribor+1.1%	December 2029
Subordinated loan	NRsf	n.a.	19.6	2.0	1m Euribor+2.16%	December 2029
Total (excluding subordinated loan)			**972.0**			

Notes: Credit enhancement (CE) includes subordination (3.8% and 2.0% for classes A and B, respectively), overcollateralisation (0.8%) and the amortising reserve fund of 1.2% of the initial portfolio balance. Anything above the reserve fund floor of 1.0% of the initial portfolio balance will be used to pay down the sub-loan on each payment date and is not available for notes redemption, resulting in an effective CE of 5.6% for class A notes and 3.8% for class B notes.
1m: one-month.

VCL Multi-Compartment S.A., Compartment VCL 41 (VCL 41) is a securitisation of auto lease receivables originated for German companies and individuals by VW Leasing GmbH (VWL, the seller), a subsidiary of Volkswagen Financial Services AG (VWFS), itself a subsidiary of Volkswagen AG (VW; A-/Stable/F1).

Key Rating Drivers

Strong Performance Despite Macroeconomic Volatility: Fitch Ratings takes account of the very strong historical performance of the total book and predecessor transaction data, despite recent macroeconomic turmoil. Fitch incorporated the performance into its economic outlook and lowered the default base case to 1.0% from 1.3% for VCL 39.

The recovery base case is 60%, unchanged from the level assigned for VCL 39, considering performance by predecessor transactions and comparison with peers. Defaults and recoveries in combination result in a reduced loss base case of 0.4% from 0.5% for VCL 39.

Sensitivity to Pro Rata Period: The transaction has a pro rata allocation mechanism if certain target overcollateralisation (OC) conditions are fulfilled and loss triggers are not breached. The length of the pro rata period and therefore outflow of funds to junior positions in the waterfall is driven by the lifetime loss in combination with loss timing and the amortisation profile together with prepayments. We consider the risk of leakage of funds limited in high rating scenarios as performance triggers are breached swiftly, leading to sequential amortisation.

Liquidity Reduces Servicing Disruption Risk: A cash reserve provides sufficient coverage for three months of senior fees, swap payments, and class A and B notes' interest payments in case of servicing disruptions.

Seller-Related Risks Addressed: A dedicated risk reserve offers protection against potential seller-related obligations, including contingent tax risks. Commingling risk is reduced by a cash advance mechanism if VW's rating falls below rating thresholds in line with Fitch's counterparty criteria. We consider this mechanism adequate in addressing commingling risk.

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Highlights

Transaction Highlights

Effect	Highlight
-	**Limited Excess Spread Availability:** The portfolio is sold at a fixed discount rate of 5.7%, providing sufficient yield covering senior expenses and swap rates. Any yield after such payments is paid back to the seller, unless a performance trigger is breached. Excess spreads are only available to the transaction when asset performance deteriorates significantly in high-stress scenarios.
Neutral	**Mostly Unchanged Pool and Structural Characteristics:** The main characteristics of the asset portfolio are comparable to previous Fitch-rated VCL transactions, including the split between private and commercial lessees, and the pool concentrations within the largest lessees. Transaction features, such as a reserve fund and pro rata triggers, are unchanged from that of VCL 39 but with an 80bp lower initial CE for both class A and B notes.
+	**No Exposure to Residual Values:** The issuer did not purchase the lease receivables' residual value (RV) portion, which is securitised in a master structure. The issuer is therefore only exposed to the development of used car prices relevant to vehicle re-marketing proceeds for defaulted contracts.
+	**Long and Robust Performance History:** The originator is a well-known auto lease provider in Germany, with a robust servicing record and long underwriting and securitisation experience, including periods of economic stress. Fitch's expected losses and the stressed levels incorporate the long and robust performance history of the originator's book, the strong performance of previous Fitch-rated deals and the static nature of the portfolio.
Neutral	**Minimal Credit Impact from ESG:** The highest level of ESG credit relevance is a score of '3', meaning that ESG issues are credit neutral or have only a minimal credit impact on the transaction, either due to their nature or the way in which they are being managed (see ESG Navigator in *Appendix 2*).

Source: Fitch Ratings

Euribor Exposure

Assets	Rated notes	Hedges
100% fixed-rate assets.	Floating-rate liabilities with reference to 1m Euribor.	The fixed-rate assets will be swapped into 1m Euribor (plus the margin of the respective note), subject to a floor of zero.

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Key Transaction Parties

Please see Counterparty Risk section for more detail.

Key Transaction Parties

Role	Name	Fitch rating
Issuer	VCL Multi-Compartment S.A., Compartment VCL 41	Not rated
Originator, seller, servicer	Volkswagen Leasing GmbH	Not rated
Reference entity for remedial action on commingling	Volkswagen AG	A-/Stable/F1
Security trustee	Intertrust Trustees GmbH	Not rated
Data protection trustee	Data Custody Agent Services B.V.	Not rated
Subordinated lender	Volkswagen Financial Services AG	Not rated
Issuer account bank, cash administrator	The Bank of New York Mellon, Frankfurt branch	AA/Stable/F1+
Paying agent	The Bank of New York Mellon, London branch	AA/Stable/F1+
Swap provider	ING Bank N.V.	AA-/Stable/F1+
Arranger	UniCredit Bank GmbH	BBB+/Stable/F2

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Key Rating Drivers

(Negative/Positive/Neutral)

Rating impact	Key rating driver
Positive	Strong performance despite Macroeconomic Volatility
Negative	Sensitivity to pro rata period
Positive	Liquidity reduces servicing Disruption Risk
Positive	Seller-related risks addressed

Source: Fitch Ratings

Applicable Criteria

Global Structured Finance Rating Criteria (January 2024)

Consumer ABS Rating Criteria (October 2023)

Structured Finance and Covered Bonds Counterparty Rating Criteria (November 2023)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (November 2023)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (December 2022)

Transaction Comparisons

The comparison table includes the Fitch-rated predecessor transaction VCL 39 as well as another German auto lease transaction and two other German auto loan deals. As no RV is securitised, VCL's portfolio credit risk could be compared to an auto loan portfolio, though not identical given the customer and product characteristics.

Transaction Comparison

	VCL Multi-Compartment S.A., Comp. VCL 41	VCL Multi-Compartment S.A., Comp. VCL 39	Bavarian Sky S.A., Compartment German Auto Leases 8	Silver Arrow S.A. Comp. 15	Red & Black Auto Germany 10 UG
Type	Static	Static	1-year revolving	Static	Static
Closing date	February 2024	June 2023	November 2023	April 2023	October 2023
Seller	VWL	VWL	BMW Bank GmbH	Mercedes-Benz Bank	Bank Deutsches Kraftfahrze-uggewerbe GmbH
Issuance volume (EURm)	972.0	723.0	863.9	756.0	750.0
Class A rating	AAAsf	AAAsf	AAAsf	AAAsf	AAAsf
Class A (EURm)	954.0	709.5	800.0	700.0	704.9
Class A CE (%)	5.8	6.6	8.5	8.3	6.5
Class B rating	AA+sf	AAsf	NRsf	NRsf	AA+sf
Class B (EURm)	18.0	13.5	63.9	56.0-	20.6
Class B CE (%)	4.0	4.8	1.1	1.0-	3.8
Class C rating	-	-	-	-	A+sf
Class C (EURm)	-	-	-	-	9.4
Class C CE (%)	-	-	-	-	2.5
Class D rating	-	-	-	-	Asf
Class D (EURm)	-	-	-	-	11.3
Class D CE (%)	-	-	-	-	1.0
Portfolio summary as of closing					
Type of receivables	Auto leases	Auto leases	Auto leases	Auto loans	Auto loans
Total outstanding balance (EURm)	1,000.0	750.0	863.9	789.9	750.0
Number of receivables	96,285	72,788	69,168	33,808	52,281
Average outstanding balance (EUR)	10,386	10,304	12,490	23,364	14,346
WA seasoning (months)	7.5	6.6	9.9	16.4	9.2
WA remaining term (months)	32.1	33.1	29.4	33.2	48.6
Age of vehicle (%)					
New vehicles	92.6	94.2	99.1	35.6	6.7
Used/demo vehicles	7.4	5.8	1.0	64.4	93.3
Debtor type (%)					
Private	22.8	20.4	24.7	54.4	100.0
Commercial	77.2	79.6	75.3	45.6	0.0
Type of repayment					
Direct debit payments	98.7	99.3	99.7	100.0	100.0
Fitch assumptions (%)					
Cumulative default rate assumption	1.0	1.3	1.0	1.5	1.0
Recovery rate assumption	60.0	60.0	7.5[a]	70.0	60.0
Prepayment rate assumption	4.0	4.0	2.0	10.0	12.0

[a] The assumption only reflects unsecured recoveries as the issuer will not benefit from vehicle sale proceeds on defaulted lease receivables.
Source: Fitch Ratings

Sector Risks: Additional Perspective

Key Sector Risks

Sector or asset outlook	Fitch expects the asset performance of auto ABS to face moderate, manageable pressure in 2024. Auto performance will not be immune to higher rates and cost-of-living stresses. The used car market is losing some of its recent strength, putting pressure on loss levels in addition to the effect from defaults. However, the importance attached to car ownership and the good borrower quality overall remain powerful positive performance differentiators for auto loans and leases compared with unsecured credit.
Macro or sector risks	Macroeconomic outlook: Fitch forecasts economic growth in Germany of 0.4% and 1.6% in 2024 and 2025, respectively. The growth relies mainly on the recovery in consumption. Business and consumer confidence are low, despite rising real wages. We expect unemployment to increase only marginally to 3.1% in 2024, from 3.0% in 2023. Germany faces a structural issue of a shrinking workforce. Skills shortages persist, although this is cushioned by migration. We have seen evidence of labour hoarding, but the market is still expected to weaken given the gloomy outlook. European auto ABS performance and car market: Delinquencies and losses in Fitch-rated auto ABS are gradually rising. This is in line with our expectations given the challenging macroeconomic environment and that the increases are happening from very low absolute levels by historical standards. We expect further deterioration, but not a material acceleration and the peak will be moderated by supportive labour markets. Alternatively fuelled vehicles (AFVs) made up about 47% of EU new car registrations in 3Q23. However, more than half of total AFV sales still consist of mild hybrids. Pure electric vehicle (EV) sales still only have a 14% share in the EU, although growth rates are high. EVs only represent a small part of the used car market and its share in securitised pools remains low. Used car prices remain very high relative to longer-term historical averages, but are beginning to show signs of plateauing and, in some cases, falling. There has been a more significant decline in prices in the UK and, to a lesser extent, in Germany. This reflects that supply-chain pressures are easing and macroeconomic factors are challenging household finances.
Relevant research	Global Economic Outlook (December 2023) EMEA Structured Finance Outlook 2024 (December 2023) European Auto ABS Index – 4Q23

Source: Fitch Ratings

Asset Analysis

The key asset eligibility criteria, summarised in the following table, are consistent with the Fitch-rated predecessor deal, VCL39.

Key Asset Eligibility Criteria

Description
Lease contracts are denominated in euros with monthly payments.
Lease contracts are legally valid, binding agreements and governed by German law.
Not more than 5% of leased vehicles are from brands other than VW, Audi, SEAT, Skoda or VW Nutzfahrzeuge.
No insolvency proceedings have been initiated against the lessee at closing.
Leased vehicles are situated in Germany, which is assumed to be fulfilled if the lessee is resident in Germany.
Receivables are free from rights of third parties and of defences and set-off claims of lessees.
No terminations have occurred or are pending.
No lease receivable was overdue as of the cut-off date.
On the cut-off date, at least two lease instalments have been paid in respect of each of the lease contracts.
Lease contracts require substantially equal monthly payments to be made in 12-60 months from origination.
The total amount of lease receivables attributable to any single lessee does not exceed 0.5% of aggregate discounted receivables balance at the cut-off date.

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Portfolio Summary

The lease contracts finance vehicles manufactured by the Volkswagen Group, including VW, Audi, SEAT, Skoda and VW Nutzfahrzeuge vehicles, as well as a smaller portion of cars produced by other brands. The portfolio's characteristics at January 2024 are shown in the Transaction Comparison section. Portfolio concentrations are shown in the margin on this page.

The portfolio characteristics are comparable to Fitch-rated predecessor transactions' portfolio characteristics at closing but with an increased portion of EVs (17.7% by discounted portfolio balance up from 15.8% in VCL 39 and up from 11.6% in VCL 36). The VCL 41 portfolio is well diversified in terms of single obligors, geographical distribution and the industry sectors of the lessees, according to VWL's classifications.

Portfolio Credit Analysis

Loss Rate

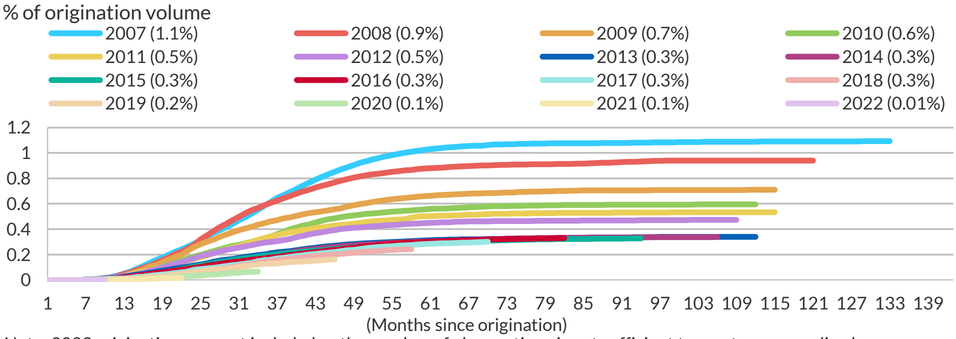
As VWL did not provide default or recovery vintage data, Fitch used the available information in reverse order compared to its standard approach.

Firstly, a base-case loss rate was set, based on VWL's total leasing book loss data and performance data from prior VCL transactions. Secondly, a base-case recovery rate was set, based on data from previous VCL transactions, the experience of the servicer's collection department and comparison with peer transactions' recovery rates. Thirdly, a lifetime default rate was implicitly derived from the set lifetime loss and recovery rate.

Loss data from VWL reflect write-offs after car sales according to the originator's accounting policy. These data are consistent with the loss definition in the transaction, on which the amortisation type triggers are based. Recovery collections received after the lease has been written off, mainly unsecured recoveries, belong to VWL, according to the transaction documentation.

The loss rate data for historical originations of VWL are shown below.

VWL Loss Vintages



Note: 2023 originations are not included as the number of observations is not sufficient to create an annualised curve.
Source: Fitch Ratings, VW Leasing GmbH

Younger vintages show lower loss rates than older vintages. In Fitch's view, the better performance of recent vintages reflects improvements in VWL's origination standards and/or servicing, collection and recoveries practice.

Fitch has reduced the lifetime loss base case to 0.4% from 0.5% applied for the previous Fitch-rated VCL 39. This conclusion is supported in particular by the record of solid asset performance of predecessor VCL transactions, which have cumulative losses well below the base-case assumption.

Cumulative loss rates of VWL's book also reflect total losses, including both principal and RVs in the calculation. But loss rates relevant to the securitisation exclude RVs. Due to the uneven scaling effect on the numerator and denominator when calculating cumulative loss rates, loss rates are expected lower when excluding RVs from numerator and denominator (transactions' cumulative loss rates) than those including RVs (total book's cumulative loss rates).

The base-case loss rate is set slightly above the book's recent loss vintages and above previous transactions' performance to account for the macroeconomic downside risk to the transaction considering the high share of commercial clients directly exposed to potential market disruptions in the volatile macroeconomic environment (see Sector Risks above).

Portfolio Concentrations

	% of total (by volume)
Largest 20 lessees (% of outstanding discounted balance)	1.6
Largest regional concentration (North Rhine-Westphalia, % of outstanding discounted balance)	23.8
Largest industry concentration (public sector, % of outstanding discounted balance)	20.6
Closed-end contracts (% of outstanding balance)[a]	100.0
Electric vehicle share (% of outstanding discounted balance)	17.7

[a] On the return of a car, the residual value risk is borne by the dealer (or VWL).
Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Defaults and Recovery Rates

Given that the residual value (RV) is not securitised, in case of a lessee's default and before the contract is written off, the issuer will be entitled to the proportion of recovery proceeds equivalent to its funding share in the sum of outstanding lease receivables and the RV.

Fitch has not received static recovery vintages data from VWL. We calculated the transaction-related recovery rates using default and loss information contained in previous VCL transactions' investor reporting. We also considered information from peer transactions in the analysis. Fitch has applied a recovery rate base-case assumption of 60.0%, the same as that applied for VCL 39.

Combining our loss and recovery rate expectations results in a default base-case assumption of 1.0%, which is at the floor level as per Fitch's criteria and is among the lowest in peer transactions. This reflects the strong asset performance of all predecessors.

Performance Expectations (%)

	Default rate expectation	Recovery rate expectation	Loss rate expectation
Base case	1.0	60.0	0.4

Source: Fitch Ratings

The agency has stressed its assumptions in higher rating scenarios to account for the impact of an unexpected economic deterioration on the transaction's cash flows.

While lowering its default base case (to 1.0% for VCL 41 from 1.3% for VCL 39), Fitch has applied higher multiple of 6.75x (6.25x for VCL 39) at 'AAAsf' as default rates in higher rating scenarios are by definition less volatile over the course of a representative portfolio cycle. However, our default assumptions in higher rating scenarios of the current analysis (6.8% at 'AAAsf') are lower than those of the last analysis (8.1% at 'AAAsf') reflecting a reduced stress which was attributed previously to the limited data availability and concern on volatile performance.

The default multiple is higher than the typical range (from 4x to 6x at 'AAAsf') due to the base-case assumption's low absolute level.

To derive the recovery haircut, we considered the level of base-case recoveries, the secured nature of the assets and VWL's robust recovery processes as key determining factors. Fitch derived a lower-to-median recovery haircut (AAA: 45%; AA+: 39%).

Stressed Assumptions (%)

	Rating default rate	Rating recovery rate	Rating loss rate
AAA	6.8	33.0	4.5
AA+	5.9	36.6	3.7

Source: Fitch Ratings

Prepayment Risk

Fitch derived its base-case prepayment assumption using data from previous VCL transactions as the originator has not provided us with overall book data on prepayments.

Prepayments in earlier VCL transactions hardly exceed an annualised rate of 4%, which is the figure Fitch also assumed as its base-case assumption for VCL 39. This was then stressed to test the impact of high and low prepayments in the respective rating scenarios. For example, the base case was multiplied by 1.5x in the 'AAA' scenario. Given the very low historically observed prepayments, Fitch applied 0% CPR in the low prepayment scenario across all the rating levels.

The lease contracts do not contain provisions that allow customers to prepay a contract so prepayments are at the discretion of VWL. If a prepayment is granted, customers are generally obliged to settle the outstanding instalments, comprising both principal and interest, in full. However, VWL may waive part of the repayment amount out of courtesy to the customer. In such cases, VWL would need to indemnify the issuer for any associated reduction in the principal balance. Fitch does not apply prepayment losses or gains in its cash flow modelling.

Cash Flow Analysis

Fitch used its proprietary cash flow model to test whether the available cash flows were sufficient to enable timely payment of interest and ultimate payment of principal on the notes in various stress scenarios.

Portfolio Amortisation

The portfolio amortisation was modelled based on the pool data provided to Fitch. Defaults, recoveries and prepayments were applied as per the stressed assumptions. Interest income was generated on non-delinquent receivables. Available cash was distributed in line with the transaction's waterfall.

Default Timing

Defaults were allocated using the default timings, determined based on the portfolio's weighted average life and Fitch's assumed base-case prepayment rate, as outlined in our *Consumer ABS Rating Criteria* and summarised in the table below.

Default Distribution

Months from closing (%)	0	4	8	12	16	20	24
Front	40	25	20	10	5	0	0
Even	17	17	17	17	17	15	0
Back	10	12.5	12.5	15	22	15	13

Source: Fitch Ratings

Recovery Timing

The recovery timing was derived from lease-by-lease default and loss data from previous VCL transactions. We assumed that a vehicle is typically sold within six months of default and distributed the recoveries over a six-month period.

Prepayments

Fitch assumed a base-case prepayment rate of 4.0% and stressed it up by 50% to 6.0% at 'AAAsf' and up by 43% to 5.7% at 'AA+sf' in the high prepayment scenario. Fitch tested a 0% prepayment rate in the low prepayment scenario (see *Prepayment Risk*).

The transaction is particularly sensitive to the length of the pro-rata period, which is determined by the amortisation profile and assumed prepayments, the lifetime loss and the loss timing assumptions. A high prepayment scenario leads to target OCs being reached sooner and therefore an earlier pro-rata allocation to the class B notes and the unrated sub-loan. In addition, assuming back-loaded losses, a forced sequential note amortisation occurs later `even in a stressed scenario.

Portfolio Yield and Discount Rate

Fitch modelled a dynamic portfolio yield available to the issuer, which evolves over time.

The receivables will be sold to the issuer applying a fixed discount rate of 5.7%. At the closing date, the discount rate will consist of the following components.

Discount Rate Calculation (%)

Weighted average swap rate (including sub-loan)	3.43
Servicing fee	1.00
Senior expenses	0.03
Buffer release rate	1.25
Total	**5.70**

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Fitch considered the following factors when determining the yield available to the issuer.

- Unless a performance trigger is breached, the buffer release component of the discount rate is paid back to the seller, and so does not provide excess spread to the transaction.
- Because the weighted average swap rate tends upwards as the senior notes amortise (given their lower expected swap rates), and the buffer release is calculated as the differences between the fixed discount rate percentage and the sum of the other discount rate components, the buffer release rate decreases over time.

In our modelling, we initially deduct the buffer release rate from the modelled yield. As the instruments amortise, the modelled yield increases gradually until the senior and junior instruments are amortising pro rata with one another. If a performance trigger is breached, the buffer release rate is added to the modelled yield.

Senior Fees

Fitch modelled 1.03% annual senior fees in each rating scenario. This is based on the documented 1.0% servicing fee and 0.03% administrative costs. We also assumed an annual fee floor of EUR250,000 in accordance with our *Structured Finance and Covered Bonds Counterparty Rating Criteria*.

Interest Rate Stresses

We tested the ability of the structure to withstand rising, stable and decreasing interest rate scenarios. The applied interest rate stress assumptions were derived in accordance with Fitch's *Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria*.

Interest rate risk is mostly mitigated by the interest rate swap. Decreasing interest rates are marginally more stressful, because this implies the issuer earning a negative interest rate on its accounts.

Rating Sensitivity

Rating Sensitivity to Default and Recovery Assumptions

	Class A	Class B
Original rating	AAAsf	AA+sf
Increase default rate by 10%	AAAsf	AA
Increase default rate by 25%	AAAsf	AA-sf
Increase default rate by 50%	AA+sf	A+sf
Reduce recovery rate by 10%	AAAsf	AA+sf
Reduce recovery rate by 25%	AAAsf	AAsf
Reduce recovery rate by 50%	AAAsf	AA-sf
Increase default rate and reduce recovery rate by 10%	AAAsf	AAsf
Increase default rate and reduce recovery rate by 25%	AA+sf	A+sf
Increase default rate and reduce recovery rate by 50%	A+sf	BBB+sf
Reduced default rate and increase recovery rate by 10%	AAAsf	AAAsf

Source: Fitch Ratings

The *Rating Sensitivity* section provides insight into the model-implied sensitivities the transaction faces when one assumption is stressed, while holding others equal. The modelling process uses the estimation and stress of these variables to reflect asset performance in a stressed environment. The results below should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

No change or positive change
Negative change within same category
-1 category change
-2 category change
-3 or larger category change
See report for further details

Rating Sensitivities – Upside: Lower-than-expected frequency of defaults or increases in recovery rates could produce lower losses than the base case and could result in positive rating action on the class B notes.

A simultaneous decrease in the default base case by 10% and an increase in the recovery base case by 10%, everything else being equal, would lead to an upgrade of rating of the class B notes by one notch to 'AAAsf'.

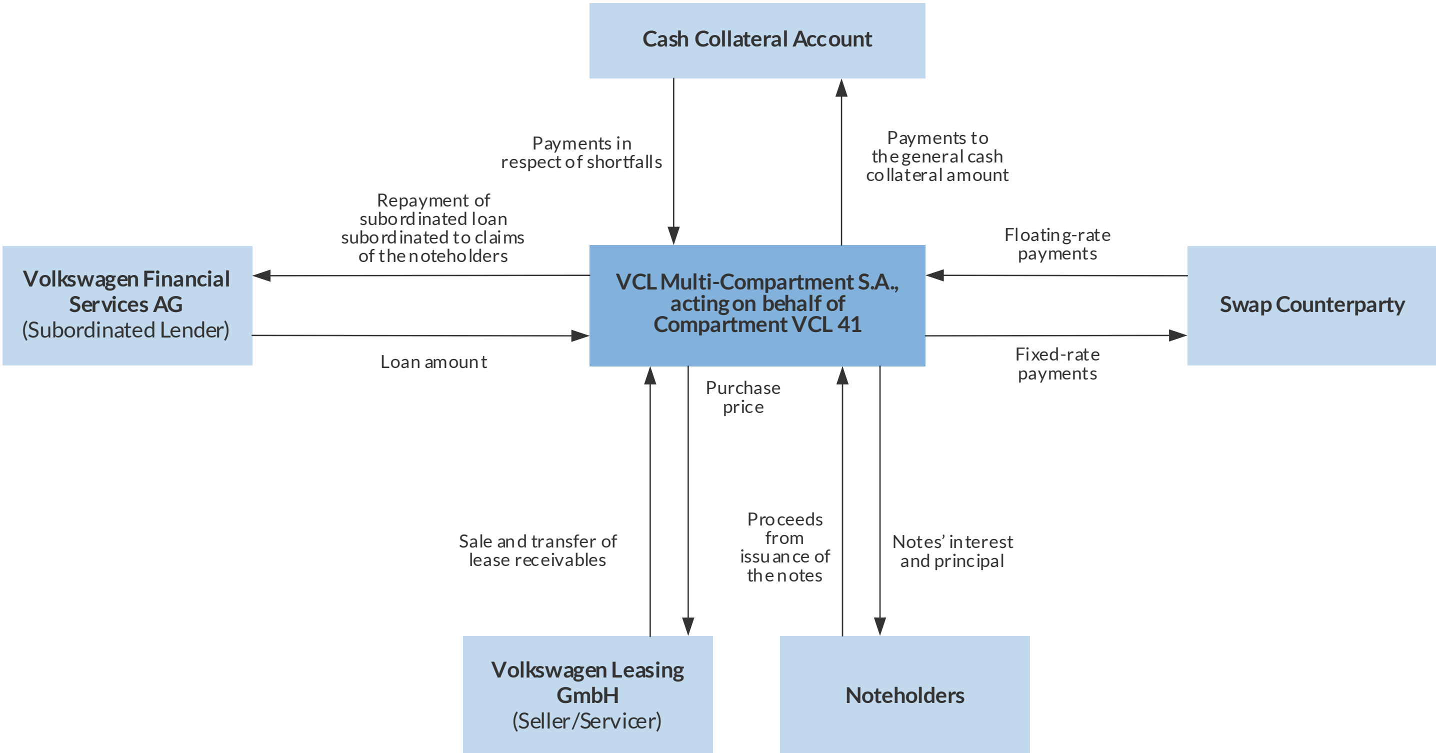
The class A notes cannot be upgraded as they are already rated 'AAAsf', which is the highest level on Fitch's rating scale.

Rating Sensitivities – Downside: Auto performance will not be immune to inflationary pressures on household finances and slightly increasing unemployment in 2024. Fitch sees the outlook for EMEA asset performance deteriorating. Meanwhile, Fitch believes that the importance of car ownership and the overall prime borrower quality remain powerful positive performance differentiators for auto lease transactions.

Further unanticipated increases in the level of defaults or decreases in recovery rates could produce larger losses than the base case and could result in negative rating action on the notes. For example, a simultaneous increase in the default base case by 25% and decrease in the recovery base case by 25% would lead to a one-notch downgrade of the class A notes and a three-notch downgrade for class B.

Transaction Structure

Structure Diagram



Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Issuer and True Sale

VCL Multi-Compartment S.A. is a Luxembourg-based securitisation company subject to Luxembourg securitisation law. VCL Master S.A. Compartment 1 (VCL Master) – another Luxembourg-based securitisation company intended to function as a warehousing vehicle – originally acquired certain lease receivables related to selected lease contracts from the seller.

At closing, the issuer purchased certain receivables from VWL (transaction one), selling on the authority granted by VCL Master (transaction two). The receivables are the finance portion, which amortises the purchase price of the vehicle to its agreed RV. The RV component itself is not refinanced via VCL 41. Certain other receivables are excluded, for example payments for contractually agreed maintenance services.

The VAT portion of any payments due from the lessee is excluded from the pool and retained by VWL to be advanced to the tax authorities. To secure the performance of the lease receivables, the security title to the leased vehicles was forwarded to VCL 41. In the event of a lessee's default, the issuer will be entitled to the proportion of recovery proceeds equivalent to its funding share in the sum of outstanding lease receivables and the RV.

Capital Structure and Credit Enhancement

The issuer's expected assets and liabilities at closing are summarised in the table below.

Balance Sheet

Assets	Amount (EURm)	% of total pool balance	Liabilities	Amount (EURm)	% of total pool balance
Receivables	1,000.0	100.0	Class A	954.0	95.4
Cash reserve	12.0	1.2	Class B	18.0	1.8
			Subordinated loan	19.6	2.0
			PPD cash reserve	12.0	1.2
			PPD OC	8.4	0.8
Sum	**1,012.0**	**101.2**		**1,012.0**	**101.2**

PPD: Purchase price discount
Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

The issuance consists of the class A and B notes as well as a subordinated loan. Credit enhancement is provided by subordination, OC and the amortising cash reserve of 1.2% of the initial discounted pool balance. Amounts in excess of the 1.0% floor may flow back, firstly to the subordinated lender and secondly to the seller outside the waterfall depending on portfolio performance.

All securitised receivables were discounted with a single discount rate of 5.7016%. See the Portfolio Yield and Discount Rate section for the components that are considered when determining the discount rate.

Should there be a servicer replacement event such as VWL becoming insolvent or the cumulative loss rate exceeding 1.6%, the buffer release amounts would become available to the issuer. Fitch only considers the cumulative loss trigger in its cash flow modelling as the payment of timely interest and ultimate principal on the notes cannot be dependent on the occurrence of events such as an insolvency trigger following a servicer default.

Reserve Fund

An amortising cash reserve, which amounts to 1.2% of the initial discounted receivables balance, was funded through a purchase price discount. It is available to cover senior expenses, swap payments and note interest and is subject to a floor, amounting to 1.0% of the receivables balance at closing or the outstanding balance of class A and B notes, if lower.

Available funds will refill the reserve fund each period to its target amount. As long as the cumulative net loss trigger is not breached, excess release amounts from the reserve are paid back to the subordinated lender and the seller outside the waterfall. The reserve fund can be released and used for note redemption on the earlier of the legal final maturity date or the discounted lease balance reaching zero.

There is a further reserve, the VWL risk reserve, to cover seller-related risks, in particular tax-related risks mentioned under tax risk. The VWL risk reserve amounts to 1.1% of the discounted receivables' balance at closing.

Euribor Fall-Back Provisions

Assets

The portfolio is not exposed to Euribor discontinuation because it only consists of fixed-rate leases.

Rated Notes

VCL 41's servicer will use any officially designated substitute rate, industry-wide solution, or generally accepted market practice as substitute for Euribor. If these options are not available, the servicer will use any unsecured or secured overnight money market reference rate calculated by the ECB or the overnight index swap. If this is not available either, €STR will be the substitute rate. The servicer will also adjust the spread over the substitute reference rate. Any designated Euribor substitute applies to both the rated notes' reference rate and floating interest rate received on the swap.

Hedges

The issuer entered into two swaps to hedge against the fixed-floating interest rate mismatch. While it receives fixed instalments, its obligations under the notes are linked to one-month Euribor, the latter being determined in accordance with the provisions in the transaction documents described in Rated Notes above.

The first swap covers the interest due on the class A notes and the second swap covers interest payments due on the class B notes, both inclusive of the spreads over the reference rate, in exchange for a fixed rate. The floating amounts are subject to a floor of zero. Both swaps are linked to the outstanding balance of the respective notes.

Priority of Payments

The transaction has a combined waterfall for all collections on outstanding receivables. The amount available to be distributed contains the following positions:

Amount Available for Distribution

+	Collections received by the servicer.
+	Share of realisation proceeds from vehicles belonging to the issuer.
+	Amounts from the general cash reserve.
+	Net swap receipts.
+	Interest accrued on the distribution account.
+	Amounts from the VWL risk reserve in case of failure by VWL to pay any secured obligations or in case of a German trade tax event.
-	Less the buffer release amount until the earlier of a breach of the cumulative loss trigger of 1.6% or the occurrence of a servicer replacement event.

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Transaction Waterfall

1-5	Taxes, senior expenses and net swap payments other than in case of a swap counterparty default.
6	Interest class A.
7	Interest class B.
8	General cash reserve up to its required balance.
9	In case of an increase in German trade tax, to the VWL risk reserve the increased trade tax risk reserve amount.
10	Class A principal until class A is at its target size (i.e. target OC class A).
11	Class B principal until class B is at its target size (i.e. target OC class B).
12	Any subordinated expenses, if not already covered by one of the senior items, such as subordinated swap payments.
13	Interest on the sub-loan.
14	Redemption of the sub-loan until reduced to zero.
15	Remainder to VWL as a final success fee.

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Performance Triggers and Note Amortisation

The notes' targeted balance is set to meet a required OC amount, defined as the excess of the assets (excluding write-offs) over respective liabilities, i.e. the class A and B notes.

Incoming funds will first be used to redeem class A notes until their target OC is reached. At this point, incoming funds will also amortise class B notes, building up their target OC, while the target OC for class A notes is maintained. Once both the class A and B notes are at their target OC, further excess funds are used to pay the sub-loan. As soon as the asset balance has amortised to 10% of the initial balance or on the occurrence of a servicer replacement event, note amortisation will again be strictly sequential.

Additionally, should a performance trigger (recording losses) be breached, target OCs will rise, meaning amortisation will again be sequential until the increased target OC is reached. Finally, should losses exceed 1.6% of the initial balance, the notes' amortisation would also become sequential.

Required OC levels are as follows and are unchanged from previous transactions.

Credit Enhancement Increases Conditions

Trigger	Class A (%)	Class B (%)
Initial available OC level	5.4	3.6
Target OC, if no trigger breach	12.25	7.5
Target OC, if level 1 trigger breached	14.0	8.25
Target OC, if level 2 trigger breached	100	100

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

A level one trigger is hit if the cumulative losses exceed the following thresholds:

- prior to (and including) the payment date falling in May 2025: 0.50%; and
- after the payment date falling in May 2025 until (and including) the payment date in February 2026: 1.15%.

A level two trigger is hit if cumulative losses exceed 1.6% at any payment date.

Please refer to the *Cash Flow Modelling* section for more details on the increased sensitivity of the pro-rata structure towards certain modelling assumptions.

Clean-Up Call

VWL has the option to repurchase all receivables to redeem the notes at the earlier of the payment date on which the aggregate discounted portfolio balance is less than 10% of the discounted receivables balance at closing. Fitch has not considered this clean-up call option in its cash flow modelling, instead modelling the transaction for the timely payment of interest and ultimate payment of principal by the legal final maturity date.

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Counterparty Risk

Fitch assesses the counterparty risk under its *Structured Finance and Covered Bonds Counterparty Rating Criteria* to be in line with the ratings assigned based on the documentation provisions and analytical adjustments described in the following table.

Counterparty Risk Exposures

Counterparty role/risk	Counterparty	Relevant ratings under criteria	Minimum ratings and remedial actions	Adjustment to analysis if minimum ratings and remedial actions not in line with criteria
Issuer account bank	The Bank of New York Mellon, Frankfurt Branch	Long-term deposit rating or if not available, Issuer Default Rating (IDR)/ short-term deposit rating or if not available, IDR.	Deposit rating or IDR of 'A' or 'F1'; i) replacement; ii) guarantee within 60 calendar days of downgrade below minimum ratings; or iii) any other measure to restore/maintain the rating of the notes.	Minimum ratings and remedial actions i) and ii) in line with criteria. Option (iii) is not in line with Fitch counterparty criteria and could lead to a prolonged process for remedial actions if option (iii) is favoured over options (i) or (ii).
Swap provider	ING Bank N.V.	Derivative Counterparty Rating (DCR) or if not available, Long-Term IDR: long-term deposit rating; Short-Term IDR: short-term deposit rating.	DCR or Long-Term IDR of 'A' or Short-Term IDR of 'F1'; or minimum DCR or Long-Term IDR of 'BBB-' or Short-Term IDR of 'F3' assuming a valid flip clause, with collateral posting required within 14 calendar days (collateralisation for liquidity adjustment and volatility cushion within 60 days), and replacement or guarantee within 60 days of downgrade below both minimum ratings.	Minimum ratings and remedial actions in line with criteria.
Servicer	VW Leasing GmbH	Not rated	There is no minimum rating for the servicer. The issuer is entitled to dismiss the servicer and appoint a new servicer.	Servicer continuity risk has been assessed to be reduced in accordance with Fitch's counterparty criteria (see Operational Risk and *Appendix 1*).

Source: Fitch Ratings, VCL Multi-Compartment S.A., Compartment VCL 41

Operational Risk

VWL acts as servicer for the transaction. Remedial actions regarding the servicer foresee the replacement of the servicer in the event of servicer disruption, which includes a breach of servicer obligations, insolvency of the servicer or non-payment by the servicer. No replacement servicer has been named. However, the transaction documents state that the issuer shall find a replacement servicer no later than three months after the occurrence of a servicer replacement event.

Despite the intrinsic problems Fitch sees with the issuer being tasked to find a replacement servicer, we consider that the reserve fund would cover payment obligations long enough to be able to find a replacement and other parties in this transaction, especially the security trustee, would have an interest to lend support to act in the best interest of noteholders.

Fitch expects that the assets' standard nature will facilitate finding a new servicer as there are several potential candidates in the German leasing market that could take over the servicing of these assets.

Account Bank

We consider the issuer's exposure to the transaction account bank to be a primary credit risk.

The issuer will hold its account with The Bank of New York Mellon, Frankfurt branch. Under the transaction documents, should the account bank's deposit rating (or IDR if the deposit rating is not available) fall below the minimum required rating of 'A' or 'F1', it must find a suitably rated replacement within 60 calendar days.

The documented rating thresholds are in line with those outlined in our counterparty criteria for 'AAA' rated bonds, and the remedial actions are also in line with our criteria, except for the "other actions" option outlined above.

Swap Counterparty

The issuer entered into a swap agreement to hedge the mismatch between the fixed payments received from the lease contracts and the floating-rate amounts payable on the rated notes. We classify the exposure to the swap provider as a primary credit risk; documented rating requirements for the swap provider and remedial actions are in line with those outlined in our counterparty criteria.

Commingling Risk

Commingling risk is considered a secondary risk driver in this transaction in line with Fitch's *Structured Finance and Covered Bonds Counterparty Rating Criteria*.

Funds are transferred on a monthly basis. However, a collateral-posting mechanism comes into effect if the monthly remittance condition is deemed not to be satisfied (see condition below). Following a breach of the monthly remittance condition, VWL may continue to commingle collections with their own funds provided they advance expected collections including 5% prepayments for the following monthly period to the issuer's collection account. On any payment date, VWL may net its obligation to pay the actual collections to the issuer's account with its claim for repayment of the collateral posted.

On any of the following events, the monthly remittance condition is deemed not to be satisfied.

- VW is no longer rated at least 'BBB' or 'F2' by Fitch.
- In the chain of holdings between VW and VWL one of: (i) any profit and loss sharing agreement between any two companies in such chain is no longer in place, (ii) any company in such chain is not branded Volkswagen, or (iii) VW directly or indirectly holds less than 75% of the share of VWL.

Fitch considers the provisions to sufficiently mitigate commingling risk.

Payment Interruption Risk

As payment interruption risk is a primary risk in the transaction, Fitch tested the cash reserve coverage of the issuer's obligations under the swaps, the ongoing senior expenses and notes' interest. Based on our calculations, the available cash reserve is sufficient to initially maintain these payments for more than three months. Fitch considers this horizon sufficient to cover a disruption in the collection process and to re-establish it with a third party.

Set-Off Risk

Deposit Set-Off Risk

The originator is not a deposit-taking entity, only its legally separated sibling entity VW Bank GmbH is. As a result, there is no deposit-related set-off risk.

Set-Off Risk in the Service Component, Extended Warranties and Insurance Products

VWFS offers a range of insurance services and extended warranties as a complementary product for lease contracts, i.e. protection against unexpected repair needs after the maturity of the statutory two-year manufacturer guarantee. Neither the insurance nor the extended warranties or the service components of a lease are securitised.

Tax Risk

Based on its understanding of the applicable tax regimes, Fitch considers the risk of significant tax liabilities being imposed on the issuer to be limited.

Nevertheless, there are some remaining legal uncertainties with respect to potential trade tax (i.e. in case the tax authorities deem the special-purpose vehicle to be taxable in Germany) and secondary VAT liability (i.e. in case VWL defaults before it has forwarded the VAT portion to the authorities) that may be imposed on the issuer.

The seller will post and maintain a dedicated risk reserve (VWL risk reserve) equal to 1.1% of the initial discounted asset balance, which can be used to cover tax liabilities of the issuer and other seller-related risks. Fitch regards this reserve, together with the available CE, to be sufficient to address contingent tax liabilities.

Criteria Application, Model and Data Adequacy

Criteria Application

See page 2 for the list of Applicable Criteria.

Fitch applies the *Consumer ABS Rating Criteria* as its sector-specific criteria under the overarching framework provided by the *Global Structured Finance Rating Criteria*, which is the master criteria report for the sector. The remaining criteria listed under *Applicable Criteria* are cross-sector criteria that outline Fitch's approach to counterparty risk and interest rate change vulnerability that are relevant for the ratings.

Models

The models below were used in the analysis. Click on the link for the model or for the criteria for a description of the model.

Consumer ABS Asset Model

Multi-Asset Cash Flow Model

Data Adequacy

The following historical information was provided by VWL to support Fitch's analysis.

Data Adequacy

Data	Period	Time	Frequency	Type
Cumulative losses	Jan 07 to Sep 23	16 years	Monthly	Static
Dynamic losses	Sep 06 to Sep 23	17 years	Quarterly	Dynamic
Total book volume	Jan 10 to Sep 23	13 years	Monthly	Dynamic
Originations	Jan 07 to Sep 23	16 years	Monthly	Dynamic
Delinquency	Jan 10 to Sep 23	13 years	Monthly	Dynamic
Previous VCLs' default/loss performance data	Dec 18 to Nov 23	5 years	Monthly	Dynamic

Source: Fitch Ratings, VWL

Fitch also received pool stratifications and an amortisation profile of the pool at end-January 2024.

Fitch reviewed the results of a third-party assessment conducted on the asset portfolio information, and concluded that there were no findings that affected the rating analysis.

Overall, Fitch views the asset pool information relied upon for the agency's rating analysis according to its applicable rating methodologies to be adequately reliable.

Use of Third-Party Due Diligence Pursuant to SEC Rule 17g-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

Surveillance

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive monthly investor reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the transaction's performance against base-case expectations and the performance of the industry as a whole. The agency expects to assign an Issuer Report Grade of five stars to the investor reporting in line with previous transactions originated by VWL, as the standards of reporting are expected to remain comparable. Where appropriate, the agency may ask to monitor further data from the originator or the servicer. The ratings of the transaction will be reviewed by a committee at least once every 12 months, or when considered appropriate (e.g. if there is a deterioration in performance, an industry-wide development, or a change at the originators or the servicer that may influence the transaction).

Our quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base-case assumptions. Fitch will further monitor the market developments of car prices.

Fitch's structured finance performance analytics team ensures that the assigned ratings remain an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance will be available to subscribers at www.fitchratings.com.

Appendix 1: Origination and Servicing

In April 2023, Fitch had an onsite meeting with VWL. Overall, Fitch considers VWL's underwriting and servicing capacities to be in line with market standards among the top German car finance companies. VWL also has a proven record in its securitisation activity.

VWL

VWL is a wholly owned subsidiary of VWFS, which is part of Volkswagen Group. VWFS has announced its plan to restructure their business activities by combining VWL and VW Bank under one roof below VWFS by mid-2024, subject to supervisory board approval. While leasing is currently not under ECB supervision, the future combined EU business will be split from the overseas and regulated by the ECB.

VWL's main activities are to promote the sale of the Volkswagen Group's automotive products (VW, Audi, SEAT, Skoda and VW Nutzfahrzeuge) and to strengthen customer loyalty to the Volkswagen Group brands. VWL has over 60 years' experience in the auto-financing business.

Origination

VWL offers leasing for new and used Volkswagen, Audi, SEAT, Skoda and VW Nutzfahrzeuge to commercial and non-commercial customers. Initially, the car is purchased by VWL. At the expiration of the leasing contract the vehicle will be sold by the car dealer or VWL. If the lessee wants to keep the car, it has to purchase the vehicle.

Depending on contract terms, the risk of the RV being different from the market value of the car is borne by the car dealer or, in a few cases, the lessee (open-end contracts). The car dealer can transfer the RV risk of closed-end contracts fully or partially, against a premium, to VWFS or the car manufacturer.

Underwriting

VWL manages its underwriting and distribution channel through its leasing operations/ underwriting (LOU) department. The LOU processes all leases and co-operates with a network of more than 3,500 dealers. Supported by a separate fraud prevention team, the LOU is also responsible for fraud detection. LOU employees have three months of training before carrying out any operational tasks in the teams and are offered a wide range of additional internal training to improve the consistency and quality of standards within the LOU.

Generally, the system works such that for contracts that fulfil the respective criteria, the steps including the approval are carried out in a fully automated fashion. The evaluation is based on the following main categories: customer data, product type, vehicle information, payment history and scoring/credit rating. If a problem occurs, such as inconsistencies found or negative credit information, the request is processed manually. The underwriter then sees the outcome of the scoring and other information sources such as Schufa, Buergel, Creditreform or payment history if applicable and needs to approve the application manually.

The authority to approve a lease depends on the seniority of staff as well as a client's exposure. A junior lease administrator, for example, can approve a lease up to EUR50,000, while applications greater than EUR50,000 are approved by a senior lease administrator. Leases with a balance greater than EUR200,000 are managed by the special clients team.

Arrears Management and Special Servicing

The debt management team is responsible for dealing with delinquent contracts.

Lessees receive calls from VWFS's call centre as soon as possible after the due date to determine the reasons for the missed payment. A first reminder letter is sent out 12 days, a second 24 days and a third 36 days after the due date. Once payment agreements are in place, reminders in case of non-payments are sent out every five days.

VWFS has introduced scores to handle delinquent contracts according to priority. Team members have the authority to approve payment holidays or maturity extensions. For corporate customers, a contract is terminated after two missed instalments. For private clients, the point of termination is dependent on the ability of VWL to terminate as prescribed by consumer protection regulation.

The collection centre is responsible for the handling of terminated contracts, second-hand marketing, court collections and charge-offs. It employs external collection agencies, which are compensated on the basis of their performance and success rates.

Vehicles can be repossessed following the effective date of the contract termination. After threatening repossession, a large portion of the terminated contracts has historically returned to performing status. For those contracts that remain non-performing almost all orders for repossession are successful. Generally, VWL judges whether it is worthwhile to pay for the repossession expenses as expected sale prices may be considered too low.

VWL normally obtains three bids from the dealer network before the vehicle is sold. A court settlement, to determine the borrower's outstanding obligation, is initiated around four months after the due date. The foreclosure process normally commences six months after the due date and is followed by the charge-off.

Risk Management

The originator must maintain all lease files, including supporting documents, for regular review to ensure compliance with policies and procedures. Retrospective risk-oriented audits are conducted regularly by internal audit department and by external auditors in course of the annual financial statements audit. VWL regularly backs up its databases and tests its business continuity plans.

Appendix 2: ESG Relevance Scores

FitchRatings

VCL Multi-Compartment S.A. - Compartment VCL 41

SF ESG Navigator
ABS - Auto

Credit-Relevant ESG Derivation

VCL Multi-Compartment S.A. - Compartment VCL 41 has 5 ESG potential rating drivers

- VCL Multi-Compartment S.A. - Compartment VCL 41 has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	5	issues	2
	4	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	2	Regulatory risks, fines, or compliance costs related to emissions, energy consumption and/or related reporting standards	Asset Quality; Surveillance	5
Energy Management	2	Assets' energy/fuel efficiency and impact on valuation	Asset Quality; Surveillance	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Asset, operations and/or cash flow exposure to extreme weather events and other catastrophe risk, including but not limited to flooding, hurricanes, tornadoes, and earthquakes	Surveillance	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Compliance with consumer protection related regulatory requirements, such as fair/transparent lending, data security, and safety standards	Operational Risk; Surveillance	4
Labor Relations & Practices	2	Labor practices, pension obligations and related litigation	Surveillance	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior	Asset Quality; Surveillance	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Rule of Law, Institutional and Regulatory Quality	3	Jurisdictional legal risks; regulatory effectiveness; supervisory oversight; foreclosure laws; government support and intervention	Asset Isolation and Legal Structure; Asset Quality; Rating Caps; Surveillance	5
Transaction & Collateral Structure	3	Asset isolation; resolution/insolvency remoteness; legal structure; structural risk mitigants; complex structures	Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Rating Caps; Surveillance	4
Transaction Parties & Operational Risk	3	Counterparty risk; origination, underwriting and/or aggregator standards; borrower/lessee/sponsor risk; originator/servicer/manager/operational risk	Asset Quality; Financial Structure; Operational Risk; Rating Caps; Surveillance	3
Data Transparency & Privacy	3	Transaction data and periodic reporting	Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Surveillance	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE - DEFINITIONS

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis.
4	Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors.
3	Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings.
2	Irrelevant to the transaction or program ratings; relevant to the sector.
1	Irrelevant to the transaction or program ratings; irrelevant to the sector.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.